



VIRGINIA BEACH CITY PUBLIC SCHOOLS

CHARTING THE COURSE

MEMORANDUM

TO: Audit Committee of the School Board of the City of Virginia Beach

FROM: Ms. Karen W. Woodson, CIA, CFE ^{KW}
School Board Internal Auditor, Department of Internal Audit

SUBJECT: Fiscal Year 2025 School Activity Funds Audit

DATE: August 20, 2025

BACKGROUND

As part of the 2025 Audit Work Plan, the Department of Internal Audit (IA) has performed the Fiscal Year 2025 School Activity Funds Audit.

Virginia Beach City Public School's (VBCPS) principals have the responsibility for safeguarding, accounting and managing school activity funds. The school activity funds are accounted for using the cash basis of accounting and are recorded by the bookkeeper in School Funds Online, the division's school-level accounting software. Examples of discretionary income received by schools are payments made by parents, fundraisers and miscellaneous sources. Expenditures include school activities such as clubs, fundraisers, etc.; payroll expenditures are not allowed to be paid from these funds. School activity account regulations provide administrative control over the income and disbursement of monies for school activities and provide an accurate record of all financial transactions of these activities and organizations.

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS

Inquiry and examination of documents and data, interviews and site visits were the methods of reviewing internal controls. IA judgmentally selected transactions from each school to ensure that a variety of vendors and deposits were analyzed throughout the audit period, and as a result this sample cannot be extrapolated across the entire population. The audit period was July 1, 2024, through June 30, 2025. Testwork was completed in August 2025. The audit objectives, methodology, results and conclusions are as follows:

1. Objective: Determine if cash balances were fairly stated for the audit period.
Methodology:
 - IA traced the prior year's ending balance to this year's beginning balance;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS, CONTINUED

- IA reviewed the bank reconciliation, year-end investment statement, as applicable and the original bank statements during the audit period for unusual transactions;
- IA reviewed all transfers reducing cash and other material transfers for allowability;
- IA reviewed a sample of cash disbursements to determine if the amounts paid matched the invoice/receipt and were coded to the correct account;
- IA reviewed a sample of cash receipts to determine if the amount collected was deposited and coded correctly;
- IA reviewed unpaid invoices;
- IA counted change funds, as applicable;
- IA inspected the contents of the schools' safes;
- IA reviewed the general ledger to determine if there were any unusual transactions or accounts with inconsistent activity; and
- IA analyzed significant variances in account balances as compared to the prior year.

Results:

- IA determined from analysis and transactional testwork that the school balances appeared reasonable.

Conclusion: IA concluded that the cash balances at the division level are fairly stated.

2. Objective: To assess compliance with applicable policies and procedures.

Methodology:

- IA reviewed a sample of cash receipts to determine if the amounts were deposited timely;
- IA reviewed a sample of cash disbursements to determine if invoices were paid timely and if the check contained signatures for two authorized signers;
- IA reviewed a sample of procurement card transactions to determine if the amounts paid were reasonable, were approved by the principal and contained an itemized receipt or invoice to support the purchase;
- IA reviewed applicable disbursements over \$10,000 to determine if they were paid from a contract and/or were approved by the Office of Business Services (OBS); and
- IA evaluated certain policies and procedures related to transfers, banking, account usage and procedures for cash collection and disbursements.

Results:

- Twelve schools had cash receipts that were not deposited timely;
- Six schools had invoices that were not paid timely, and one school had checks without two authorized signers;
- One school had a disbursement that was not reasonable, and two schools had disbursements not approved by the principal. Ten schools were missing an itemized receipt or invoice to support the purchase;
- Three schools had disbursements above \$10,000 that were paid without a contract and/or approval from OBS;

AUDIT OBJECTIVES, METHODOLOGY, RESULTS AND CONCLUSIONS, CONTINUED

- IA noted four schools with exceptions related to transfers, and 26 schools with exceptions related to account usage and monitoring; and
- IA noted six schools with exceptions related to cash collections and/or procedures for disbursements.

Conclusion: IA concluded that the division is compliant with the applicable policies and procedures with the exception of certain procedures at select schools.

3. Objective: To determine if internal controls are adequate and functioning as intended.

Methodology:

- IA conducted internal control interviews with the principal and/or the bookkeeper and the student activities coordinator regarding the system of internal controls; and
- IA identified key internal controls and performed sample testwork on these significant controls to determine if they were working as intended.

Results:

- The principal and/or bookkeeper and the student activities coordinator provided internal control information consistent with division requirements; and
- The testwork indicated that the division's significant internal controls are working as intended. IA noted internal control concerns with the cash collection process at one school; a separate investigation was conducted to address this.

Conclusion: IA concluded that the internal controls are adequate and functioning as intended.

IA identified areas of improvement for nine high schools, 10 middle, 20 elementary and two other schools.

AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The results and findings for this audit were discussed with management. Audit results are based on the Code of Virginia, School Board policies and regulations, the *Business Manual for Schools (Business Manual)*, accounting procedures and internal controls. Each principal signed a copy of their school's individual audit results. Management provided the response for each finding. The Statement of Cash Receipts and Disbursements and a Summary of the Audit Results by School is included in the appendices. We thank management and staff of the Department of School Leadership, the schools and all others who were contacted for their cooperation throughout the audit.

cc: Mr. Matthew D. Delaney, Chief Schools Officer, Department of School
Leadership
Dr. Melanie J. Hamblin, Senior Executive Director of Elementary Schools
Dr. James J. Smith, Senior Executive Director of Middle Schools
Dr. Walter C. Brower Jr., Senior Executive Director of High Schools

Ms. Crystal M. Pate, Chief Financial Officer, Department of Budget and Finance
Mr. Daniel G. Hopkins, Director of Business Services

Attachments: Appendix A
Appendix B

AUDIT RESULTS AND MANAGEMENT'S RESPONSES

Finding No. 1: Inadequate Account Monitoring

Nineteen schools did not monitor one or more accounts. After IA questioned the activity in the specific account(s), the following scenarios were noted:

- Vendor rebates or commissions totaling \$9,864.18 that had not been received;
- Collections for lost or damaged technology assets and accessories totaling \$1,793.92 that had not be remitted to VBCPS;
- Schools had deficit account balances and did not request reimbursement or had not implemented a plan to address the deficit. The total negative account balance was \$11,292.09;
- Collections for charities totaling \$961.07 that had not been remitted to the charity;
- Grant funds received in prior fiscal years totaling \$12,000.00 that remained unspent;
- Fundraiser earnings totaling \$5,145.00 that were not transferred to the new class at year-end; and
- Collections for a field trip totaling \$273.00 that were not used.

Business Manual Section 2.4 Bookkeeper states, "The bookkeeper under the supervision of the principal, will receipt, deposit, account for...all funds flowing through the school activity accounts." These errors occurred because the account balances had not been monitored. Monitoring accounts throughout the year ensures that funds collected for a specific purpose are remitted, transfers are made as needed and funds due from vendors are received. Accurate financial reporting ensures that accounts are used for their intended purpose and are not overspent.

Recommendations:

IA recommends that the bookkeeper routinely monitor account activity and the principal question balances during the review of the monthly financial statement.

Management's Response:

The Chief Schools Officer (CSO) concurs. The bookkeeper will routinely monitor account activity, and the principal will question balances during the review of the monthly financial statement.

Finding No. 2: Disbursements Without Adequate Documentation

Ten schools had one or more disbursements that did not have adequate documentation to support the purchase and/or refund. *Business Manual*, Section 10.1 School Activity Account Disbursements states, "All school activity account disbursements must...be supported by the following documentation: itemized receipts/invoices." This can be caused by staff members not obtaining itemized receipts from the vendor, the bookkeeper omitting proof of the original payment in the supporting documentation for a refund or paying bills from a purchase request. After IA questioned the transactions, the bookkeeper was able to provide the supporting documentation, and IA was able to confirm that the amount paid matched the invoice/receipt at seven schools, while three schools were unable to provide the receipt/invoice. An itemized receipt/invoice substantiates that the school's funds are being properly spent.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Recommendations:

IA recommends that staff members obtain an itemized receipt/invoice from the vendor and the bookkeeper obtain and maintain an itemized receipt, invoice or proof of original payment for each disbursement.

Management's Response:

CSO concurs. Under the direction of the principal, staff members will obtain an itemized receipt/invoice from the vendor, and the bookkeeper will obtain and maintain an itemized receipt, invoice or proof of original payment for each disbursement.

Finding No. 3: Late Payments

Five schools had a disbursement that was paid late and one school had an invoice older than 45 days that was unpaid at the time of audit. The payments ranged from 18 to 103 days late. *Business Manual*, Section 10.24 Prompt Payment Requirements, in alignment with Code of Virginia, Section 2.2-4352 states, "The required payment date shall be either...not more than forty-five days after goods or services are received or not more than forty-five days after the invoice is rendered, whichever is later." Late payments can occur when the school is not creating or reviewing open purchase orders, or if staff members do not request approval prior to making a purchase, as the school would not be aware that an invoice was missing. Payments made after the due date can damage the school's reputation as well as cause the school to incur late fees.

Recommendations:

IA recommends that the school create a purchase order when items are approved for purchase, monitor purchase orders on a frequent basis to identify outstanding invoices and pay invoices in a timely manner.

Management's Response:

CSO concurs. The school will create a purchase order when items are approved for purchase, monitor purchase orders on a frequent basis to identify outstanding invoices and pay invoices in a timely manner.

Finding No. 4: Improper Transfers

Four schools transferred money to/from a restricted account. *Business Manual*, Section 7.2 Administrative Accounts Parking states, "Decals are purchased by students for parking on school board property. Transfers to non-student related accounts are prohibited." Office Depot Rebate states, "Transfers from this account to staff related accounts are prohibited." Procurement Card Rebate states, "Transfers from this account to staff related accounts are prohibited." Section 7.9 Grant Accounts states, "Transfers from or to these accounts are prohibited." Improper transfers can be caused by lack of review by the bookkeeper or principal or the lack of understanding of account restrictions. Transfers into prohibited staff-related accounts limits funds available for student use, and transfers into grant accounts commingles other school money with grant funding.

Recommendations:

IA recommends that the bookkeeper review transfers for accuracy, adhere to any

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

restrictions and seek guidance from OBS as needed. The principal monitor account balances and question any discrepancies.

Management's Response:

CSO concurs. The bookkeeper will review transfers for accuracy, adhere to any restrictions and seek guidance from OBS as needed. The principal will monitor account balances and question any discrepancies.

Finding No. 5: Late Deposit

Twelve schools had one or more points of collection that were deposited late. *Business Manual*, Section 9.1 School Activity Account Receipts states, "Bank deposits should be made daily." Section 9.4 Daily Deposit Exceptions states, "Total cash/checks of no more than \$100 may make bank deposits less often than daily, but no later than by the end of the current work week..." Late deposits can be caused by staff not turning in collections daily or the school/bookkeeper not depositing funds daily or by the end of the work week, as allowable. When funds are turned in and deposited daily it reduces the risk of loss or theft.

Recommendations:

IA recommends that the principal remind staff to turn in all collections daily and the school/bookkeeper deposit funds the day they are received or by the end of the work week, as allowable.

Management's Response:

CSO concurs. The principal will remind staff to turn in all collections daily and the bookkeeper to deposit funds the day they are received or by the end of the work week as allowable.

Finding No. 6: Incorrect Account Coding

Nine schools had one or more points of collection, and four had one or more disbursements that were incorrectly coded. *Business Manual*, Section 6.1 Coding of Activities Overview – Schools states, "...receipts and disbursements of each school activity must be recorded in the proper school activity account..." These errors were caused by lack of review by the bookkeeper and were not noticed by the staff member or principal. Incorrect account usage inaccurately reflects the amount of funds spent and/or available for use.

Recommendations:

IA recommends that the bookkeeper review receipt and disbursement coding for accuracy and the principal and staff members monitor account balances and question any discrepancies.

Management's Response:

CSO concurs. The bookkeeper will review receipt and disbursement coding for accuracy, and the principal and staff members will monitor account balances and question any discrepancies.

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

Finding No. 7: Accounting Procedures

Eight schools did not follow accounting procedures for cash disbursements as follows:

- Only one person with signature authority signed the checks. *Business Manual*, Section 10.2 Disbursements Process, states, "Checks must be signed by the principal...countersigned by the assistant principal or bookkeeper and supported by documentation."
- Payments over \$10,000 did not have approval from OBS. *Business Manual*, Section 12.2 Purchase Requisitions states, "All purchases that exceed \$10,000 for goods and/or services to a single vendor/supplier without an established contract approved through the Office of Purchasing [Procurement] Services must be processed by...the Office of Business Services...In cases where payments of \$10,000 or more are receipted into school activity fund accounts for school events and later remitted to an outside vendor a request for prior approval of payment must be submitted by e-mail to the Director of Business Services."
- A check was re-issued to a vendor without placing a stop payment on the original check. *Business Manual* Section 15.5 Checks-Lost/Out-of-Date and Replacement states, "The following steps must be taken for lost/out-of-date check replacement if thirty days has elapsed since the issuance of the lost check: The bank must be authorized to stop payment on a lost check that is to be replaced."
- A payment for services was classified as a refund to circumvent the vendor setup process. *Business Manual* Section 10.2 Disbursements Process defines a refund/reimbursement as a payment, "to a parent or employee..."
- Purchases were not approved by the principal. *Business Manual* Section 12.1 Procurement Overview states, "...no purchase may be made from school activity funds without the prior written approval of the Principal..."
- A procurement card purchase included sales tax. *Business Manual* Section 10.34 Virginia State Sales and Accommodations Tax states, "Virginia Beach City Public Schools is generally exempt from paying sales tax on tangible personal property..."

These errors were caused by lack of review and/or monitoring. When checks are signed by two authorized signers, it reduces the risk of an unauthorized purchase. The principal's approval of all purchases and OBS's review of purchases over \$10,000 ensures that school funds are being spent properly. Placing a stop payment on a check before re-issuing a check can prevent loss of school funds. Payments made to vendors are required to be tracked in SFO to ensure compliance with applicable tax reporting requirements. Paying sales tax on purchases limits the funds available to students.

Four schools did not follow accounting procedures for cash collections, as follows:

- Funds were not being receipted at the time of collection. *Business Manual* Section 9.1 School Activity Receipts states, "All collections must be receipted in a pre-numbered receipt book...written promptly by the employee (not the bookkeeper) upon receipt of funds."
- Change funds were not used for school fundraisers. *Business Manual* Section 10.9 states, "The intent of the change fund is to provide change for a one-time event (e.g., athletic game, book fair)."

AUDIT RESULTS AND MANAGEMENT'S RESPONSES, CONTINUED

- Fundraiser proceeds were not used for the identified purpose. *Business Manual* Section 16.1 Fundraising Requirements states, "The fundraising activity must clearly disclose and publicize the purpose of the fundraiser."

These errors were caused by lack of staff training, review and/or monitoring. When funds are receipted at the point of collection, it reduces the risk of loss or theft. Change funds provide staff members with money to dispense during a fundraiser to prevent the commingling of funds. Funds collected for a specific purpose should be used for the identified purpose.

Recommendations:

IA recommends the following:

- Staff members/bookkeepers obtain approval from the principal for all purchases. Purchases over \$10,000 must be approved by OBS prior to making the purchase. The bookkeeper should follow guidelines to set up new vendors as needed prior to processing payments. Finally, the principal and bookkeeper should review each check for accuracy and completion before finalizing the check;
- A stop payment be placed prior to reissuing a replacement check;
- Staff members provide tax-exempt documentation to vendors to avoid paying tax;
- The principal and bookkeeper train staff on cash collection procedures and distribute receipt books and transmittal envelopes to all staff members collecting funds;
- The bookkeeper issue a change fund for fundraisers that may require change; and
- The school use fundraiser proceeds for the identified purpose.

Management's Response:

CSO concurs. Schools will review and follow the accounting procedure recommendations listed above.

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2025

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
High Schools:				
Bayside	\$ 144,639	400,161	417,437	127,363
First Colonial	116,875	303,706	275,356	145,225
Floyd E. Kellam	453,696	557,802	610,543	400,955
Frank W. Cox	472,039	628,290	579,292	521,037
Green Run	168,572	376,835	352,026	193,381
Green Run Collegiate	12,926	99,306	96,878	15,354
Kempsville	312,726	330,652	323,092	320,286
Landstown	220,709	388,124	414,876	193,957
Ocean Lakes	256,060	589,092	609,171	235,981
Princess Anne	297,145	368,085	358,608	306,622
Salem	167,398	385,386	343,348	209,436
Tallwood	185,394	367,320	371,026	181,688
Subtotal	2,808,179	4,794,759	4,751,653	2,851,285
Middle Schools:				
Bayside	22,865	31,821	25,259	29,427
Bayside 6th Grade Campus	5,247	16,771	22,018	-
Brandon	20,578	77,243	68,996	28,825
Corporate Landing	37,593	78,896	66,227	50,262
Great Neck	40,280	110,098	114,400	35,978
Independence	21,691	80,746	76,974	25,463
Kempsville	56,363	96,323	82,603	70,083
Landstown	64,789	114,262	93,233	85,818
Larkspur	46,156	60,359	66,412	40,103
Lynnhaven	28,517	87,492	70,114	45,895
Old Donation School	97,868	116,508	105,342	109,034
Plaza	44,389	89,662	92,440	41,611
Princess Anne	29,640	95,052	90,180	34,512
Salem	48,881	68,547	66,169	51,259
Virginia Beach	35,184	85,223	92,120	28,287
Subtotal	600,041	1,209,003	1,132,487	676,557
Elementary Schools:				
Alanton	61,286	31,449	32,116	60,619
Arrowhead	45,430	30,291	26,772	48,949
Bayside	12,222	33,918	33,840	12,300
Bettie F. Williams	4,970	34,250	32,298	6,922
Birdneck	47,472	31,942	39,358	40,056
Brookwood	17,945	33,758	32,394	19,309
Centerville	20,137	40,050	40,500	19,687
Christopher Farms	43,516	37,724	29,534	51,706
College Park	10,498	78,341	71,999	16,840
Corporate Landing	21,274	23,243	25,419	19,098
Creeds	25,838	28,522	27,479	26,881
Diamond Springs	16,296	16,275	20,459	12,112
Fairfield	11,071	37,748	37,368	11,451
Glenwood	32,994	69,182	40,296	61,880
Green Run	11,006	17,819	18,366	10,459
Hermitage	16,668	26,986	23,406	20,248
Holland	9,686	22,592	24,682	7,596
Indian Lakes	12,355	37,265	32,432	17,188

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS, CONTINUED
For the Year Ended June 30, 2025

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Elementary Schools, continued:				
John B. Dey	\$ 32,841	51,654	49,564	34,931
Kempsville	49,849	23,921	24,924	48,846
Kempsville Meadows	27,731	23,574	21,585	29,720
King's Grant	39,049	30,244	24,579	44,714
Kingston	31,516	35,918	38,298	29,136
Landstown	41,797	32,155	28,365	45,587
Linkhorn Park	28,523	43,314	28,477	43,360
Luxford	20,360	23,012	6,803	36,569
Lynnhaven	18,794	39,299	41,610	16,483
Malibu	26,728	25,373	19,902	32,199
New Castle	32,043	62,857	56,144	38,756
Newtown	15,693	25,279	23,890	17,082
North Landing	22,602	35,377	33,582	24,397
Ocean Lakes	15,084	36,156	30,747	20,493
Parkway	10,233	43,101	38,709	14,625
Pembroke	47,425	39,367	39,660	47,132
Pembroke Meadows	38,589	32,067	33,558	37,098
Point O'View	12,499	42,271	35,637	19,133
Princess Anne	14,987	34,852	38,864	10,975
Providence	50,938	47,574	46,854	51,658
Red Mill	36,604	72,517	58,290	50,831
Rosemont	9,838	22,531	18,613	13,756
Rosemont Forest	27,946	27,077	30,877	24,146
Salem	35,032	26,322	22,339	39,015
Seatack	17,322	18,803	20,624	15,501
Shelton Park	50,292	48,865	54,560	44,597
Strawbridge	16,757	22,007	20,539	18,225
Tallwood	25,730	36,580	30,317	31,993
Thalia	23,681	52,357	43,579	32,459
Thoroughgood	45,343	26,279	18,990	52,632
Three Oaks	52,544	30,170	35,693	47,021
Trantwood	32,217	28,630	27,667	33,180
W. T. Cooke	32,269	24,135	17,914	38,490
White Oaks	28,806	41,572	34,653	35,725
Windsor Oaks	17,663	37,770	27,891	27,542
Windsor Woods	10,358	22,892	16,157	17,093
Woodstock	22,547	53,479	49,847	26,179
Subtotal	1,482,894	1,950,706	1,779,020	1,654,580
Other Schools:				
Adult Learning Center	232,199	307,543	349,021	190,721
Advanced Technology Center	63,179	70,449	68,753	64,875
Renaissance Academy	32,137	53,478	49,040	36,575
Technical & Career Education Center	297,083	198,625	196,004	299,704
Subtotal	624,598	630,095	662,818	591,875
Total	\$ 5,515,712	8,584,563	8,325,978	5,774,297

**SCHOOL ACTIVITY FUNDS AUDIT
AUDIT RESULTS BY SCHOOL
FISCAL YEAR ENDED JUNE 30, 2025**

IA did not identify areas of improvement at the following schools:

High Schools:

Floyd E. Kellam
Ocean Lakes
Tallwood

Middle Schools:

Bayside 6th Grade Campus
Brandon
Corporate Landing
Larkspur
Old Donation

Elementary Schools:

Alanton
Bettie F. Williams
Birdneck
Centerville
Christopher Farms
Creeds
Fairfield
Green Run
Hermitage
Holland
John B. Dey
Kempsville
King's Grant
Landstown
Linkhorn Park
Luxford
Malibu
Ocean Lakes

Parkway
Pembroke Meadows
Point O'View
Princess Anne
Red Mill
Rosemont
Rosemont Forest
Salem
Seatack
Shelton Park
Strawbridge
Thoroughgood
Trantwood
W.T. Cooke
White Oaks
Windsor Oaks
Windsor Woods

Other Schools:

Adult Learning Center
Technical & Career Education Center

**SCHOOL ACTIVITY FUNDS AUDIT
AUDIT RESULTS BY SCHOOL
FISCAL YEAR ENDED JUNE 30, 2025**

IA identified areas of improvement at the following schools:

	Accounting Procedures	Inadequate Account Monitoring	Disbursements Without Adequate Documentation	Late Payment	Improper Transfer	Late Deposit	Incorrect Account Coding
High Schools:							
Bayside	2		1				
First Colonial			2	1		2	
Frank W. Cox	2	1			1		
Green Run	1	2	7	1			1
Green Run Collegiate		2		1	1		
Kempsville		1		1	1		
Landstown							2
Princess Anne				1			
Salem		1	3				
Middle Schools:							
Bayside		2					
Great Neck	1	1					
Independence	1						
Kempsville		1					
Landstown							1
Lynnhaven						1	1
Plaza		1					
Princess Anne							1
Salem			1			1	
Virginia Beach		1					1
Elementary Schools:							
Arrowhead						1	
Bayside	2	1		1		17	2
Brookwood		1					
College Park		3					1
Corporate Landing		1					
Diamond Springs		1					
Glenwood		2	1				
Indian Lakes			5			1	
Kempsville Meadows	1						2
Kingston						1	
Lynnhaven							1
New Castle							1
Newtown	1					1	
North Landing		1					1
Pembroke	1					1	
Providence	1		1				
Tallwood		1					
Thalia						1	
Three Oaks					1		
Woodstock	1		1				
Other Schools:							
Advanced Technology Center						1	
Renaissance Academy	1	1	1			1	1

*Number above indicates amount of exceptions found